

## Internal Revenue Service, Treasury

## § 1.511-2

because, for example, it has not conformed its governing instrument pursuant to section 508(e). X will continue to be treated as a private foundation after July 1, 1972, unless its status as such is terminated under section 507. However, if an organization is not exempt under section 501(a) as an organization described in section 501(c)(3) on October 9, 1969, then it will not be treated as a private foundation within the meaning of section 509(a) by reason of section 509(b), unless it becomes a private foundation on a subsequent date.

[T.D. 7212, 37 FR 21924, Oct. 17, 1972]

### § 1.509(c)-1 Status of organization after termination of private foundation status.

(a) *In general.* For purposes of part II of subchapter F of this chapter, an organization whose status as a private foundation is terminated under section 507 shall be treated as an organization created on the day after the date of such termination. An organization whose private foundation status has been terminated under the provisions of section 507(a) will, if it continues to operate, be treated as a new organization and must, if it desires to be classified under section 501(c)(3), give notification that it is applying for recognition of section 501(c)(3) status pursuant to the provisions of section 508(a).

(b) *Effect upon section 507(d)(1).* If the private foundation status of an organization has been terminated under section 507(b)(1)(B) and the regulations thereunder, and:

(1) Such organization does not continue at all times thereafter to meet the requirements of section 509(a) (1), (2), or (3) (and is therefore no longer excluded from the definition of a private foundation); and

(2) The status of such organization as a private foundation is thereafter terminated under section 507(a)

then the tax imposed under section 507(c)(1) upon the aggregate tax benefit (described in section 507(d)(1)) resulting from section 501(c)(3) status shall be computed only upon the aggregate tax benefit resulting after the date on which the organization again becomes

a private foundation under subparagraph (1) of this paragraph.

[T.D. 7212, 37 FR 21924, Oct. 17, 1972]

### § 1.509(d)-1 Definition of support

For purposes of section 509(a)(2), the term *support* does not include amounts received in repayment of the principal of a loan or other indebtedness. See, however, section 509(e) as to amounts received as interest on a loan or other indebtedness.

[T.D. 7212, 37 FR 21924, Oct. 17, 1972]

### § 1.509(e)-1 Definition of gross investment income.

For the distinction between gross receipts and gross investment income, see § 1.509(a)-3(m).

(Sec. 7805, Internal Revenue Code of 1954, 68A Stat. 917; 26 U.S.C. 7805)

[T.D. 7212, 37 FR 21925, Oct. 17, 1972]

## TAXATION OF BUSINESS INCOME OF CERTAIN EXEMPT ORGANIZATIONS

### § 1.511-1 Imposition and rates of tax.

Section 511(a) imposes a tax upon the unrelated business taxable income of certain organizations otherwise exempt from Federal income tax. Under section 511(a)(1), organizations described in section 511(a)(2)(A) and in paragraph (a) of § 1.511-2 and organizations described in section 511(a)(2)(B) are subject to normal tax and surtax at the corporate rates provided by section 11. Under section 511(b)(1), trusts described in section 511(b)(2) are subject to tax at the individual rates prescribed in section 1(d) of the Code as amended by the Tax Reform Act of 1969 (section 1 for taxable years ending before Jan. 1, 1971). The deduction for personal exemption provided in section 642(b) in the case of a trust taxable under subchapter J, chapter 1 of the Code, is not allowed in computing unrelated business taxable income.

[T.D. 7117, 36 FR 9421, May 25, 1971]

### § 1.511-2 Organizations subject to tax.

(a) *Organizations other than trusts and title holding companies.* (1)(i) The taxes imposed by section 511(a)(1) apply in the case of any organization (other than a trust described in section